



City Manager's Office
City of Frisco, Texas

Memorandum

To: Members of Frisco Community Development Corporation

Cc: George A. Purefoy, City Manager

From: Henry J. Hill, Deputy City Manager

Date: May 18, 2009

Subject: Development Agreement with the Museum of the American Railroad for establishment of the Museum in the City of Frisco.

Action Requested: Approval by the Frisco Community Development Corporation (CDC) of a proposed Development Agreement with the Museum of the American Railroad (MAR) to move their collection to the City of Frisco. The MAR Development Agreement and Lease Agreements were approved by the City Council at their May 5, 2009 meeting. The Development Agreement establishes the basic terms of the City's support for the move of the Museum. The Lease Agreement provides for the use of the 12.346 acre parcel off Cotton Gin Road on which the Museum will reside. It does not require CDC approval (as the parcel was acquired directly by the City), but is an Exhibit of the Development Agreement.

Background Information: In April 2008, City Council approved a Memorandum of Understanding with the MAR which outlined the basic intent for moving the Museum to Frisco. The CDC subsequently approved in its budget funds to assist in the move.

Formerly, known as the "Age of Steam", the Museum of the American Railroad has existed since 1963 in Dallas at Fair Park. The Museum is comprised of an extensive collection of historic locomotives, rail passenger cars, and other rail related artifacts.

In 2006, the MAR completed a comprehensive "Long Term Strategic Outlook". This strategic plan pointed out challenges at the current location - the principal constraint being the lack of space at its present 1.8 acre site. The strategic plan calls for

moving to a 9 to 15 acre site to more properly showcase the collection. The strategic plan was the product of a reorganization of the Museum which included new governance, a new name, and a new focus on programming appealing to present and future museum goers. The MAR's goal is for the Museum to achieve "a more prominent regional-national status". The MAR's *Visions 2006* which outlines their plans is attached to the agenda package.

In terms of quality and significance, it is estimated that the MAR's collection is one of the top five in the United States. The Museum has made major reinvestment in its collection of historic trains. It has continued to add to its collection including most recently five cars and two operational diesel locomotives to its new streamliner passenger train exhibit. Further, the Museum is in the process of acquiring additional units from other national caliber museums. Overall, the current collection includes 12 locomotives, 17 passenger cars, 8 freight cars, 5 other significant pieces, and a large variety of railroad artifacts and memorabilia. Significantly, the collection includes the *Union Pacific* "Big Boy" steam locomotive, which at 1.2 million pounds is the world's largest steam locomotive. The collection also includes a number of key *FRISCO Rail Lines* items including Engine #4501. The Museum presently sees over 70,000 visitors each year, including attendance at its largest annual event, *Day Out with Thomas*, which is presently held in the City of Grapevine. That event attracts families from around Texas and neighboring states. It is estimated that, in the proper location and with its full development, the MAR could achieve over 250,000 visitors per year.

City Staff became aware of the MAR's desire to obtain an expanded location. Staff contacted the MAR to make inquiries about the potential of a site located in Frisco to compliment the City's already significant facilities which showcase our heritage – which, of course, includes the railroad. Relocation to Frisco offers the MAR opportunities for the Museum to achieve its vision to become a major North Texas destination with national and international appeal. The MAR's plans call for a new center for railroad history and technology to be built around the Museum's collection of historic locomotives and rail cars. The MAR believes its quality collection has the potential to become one of the finest presentations of historic trains in the nation.

As a future anchor arts and cultural institution in Frisco, the MAR will attract visitors from across the country. It will also serve surrounding school districts with interactive educational tours and history-oriented in-class programs. Through expanded programs, the Museum will entertain and educate visitors and students in the cultural history and technology of railroading as well as the industry's profound effect on the growth and prosperity of the nation. The Museum of the American Railroad will also interrelate with the Frisco Junction venues and be a strong compliment to Grand Park.

The City has worked with the MAR over the past year to finalize a Development Agreement and Lease, and to further the concept plans necessary for relocation onto the Frisco site. Under the Memorandum of Agreement, the MAR was required to provide an initial trackage layout and general site plan, and concepts for the ultimate Museum structure. Copies of those are included in your agenda package. The MAR plans to create a 200,000 square foot facility reminiscent of a large, turn-of-the-

century train station. The Museum will be a public space and serve as a multi-use center. Of course, the trains will become the focus of entertaining, educational programs by day and could become a dramatic backdrop for evening events including the visual and performing arts. The Development Agreement with the City calls for a Museum that would be at least \$20,000,000. The MAR envisions ultimately this could be as much as \$40-50,000,000.

The proposed Development Agreement is phased with the first phase focusing on the establishment of the Museum in Frisco with movement of the collection onto the site. This will happen over the next two years. The second phase focuses on the ultimate Museum structure. The third phase is continued expansion of the Museum. Funding by the City is tied to progress in the first phase. The City is not obligated for any ongoing operating costs of the Museum. The Lease is tied to the Development Agreement, and is an Exhibit to it. The Lease has performance requirements for continued use of the property.

The following is a listing of key points of the Development (and Lease) Agreements:

City of Frisco

- City to provide the 12.346 acre site for up to eighty years at \$1 per year. The lease is phased with the initial term being two years, a subsequent term of ten years assuming satisfactory completion of required improvements and relocation of the rolling stock to Frisco. The lease would be renewable for an additional twenty-eight years assuming the Museum has undertaken its best efforts to raise funds and construct the permanent Museum structures as outlined. Assuming all improvements have been made as obligated, the term is extended for a final forty years.
- City to provide a maximum of \$1,000,000 towards the estimated \$1,500,000 cost of various items necessary for preparation of site, establishment of track on the site to place the collection, and initial set up in order for the MAR to begin operations in Frisco as soon as possible. Distribution of the funds is contingent on satisfactory progress in completing the work necessary for relocation of the Museum. Funds may be used for: engineering of site, grading for drainage correction, compaction of the soil for track, placement of track and switches, connection of electric, water and sewer lines as necessary, decorative heavy iron fence for security, lighting, and parking.
- Funding for the City's contribution will come from funds budgeted by the Community Development Corporation (\$250,000), Convention and Visitors Bureau (\$250,000), and the Tax Increment Reinvestment Zone #1 (\$500,000).
- The City is not obligated for any ongoing operating costs of the Museum.

Museum of American Railroad

- MAR to relocate substantially all of its collection of rolling stock and other collection material to the City of Frisco.
- MAR to provide for movement of collection to Frisco.
- MAR to provide Concept Plan of layout of trackage and permanent improvements.
- Concept Plan is subject to City approval and to be used to plan and engineer site for use.
- MAR to provide its stock of 90 lb rail track to be used towards total trackage to be laid to establish the site.
- MAR to provide for (either by payment for or donation of) switching as necessary for access to BNSF's main line that connects the museum's exhibit track and lead track.
- MAR to provide for necessary items beyond the maximum \$1,000,000 provided by the City of Frisco.
- Should the MAR fail to complete the project, a phase of the project, or fail to meet operating obligations, all improvements shall revert to the City.
- MAR to commence major capital campaign to construct \$20,000,000+ museum.

Staff and Board of the Museum of the American Railroad will be present at the City Council meeting.

Board Review/Citizen Input: The CDC has previously approved funding of \$250,000 for assistance in the move to the site. The City Council has approved the agreements. The Convention and Visitors Bureau has considered and budgeted funds in support of the Development Agreement.

Financial Considerations: The City will provide the lease of the 12.34 acre site and assist with the cost of establishment of the Museum on the site at a cost capped at \$1,000,000. Funding is from CDC, CVB, and TIRZ#1.

Legal Review: The proposed Development Agreement was drafted by the City Attorney's Office.

Supporting Documents: Proposed Development Agreement, aerial of property to be leased, Concept plans for structures and track layout, Letter from MAR, and Visions 2006 document.

Staff Recommendation: CDC to approve the Development Agreement with the Museum of the American Railroad.